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December 27, 2007

Patty Walker
Duke Energy Kentucky, Inc.
139 East Fourth Street, EX 400
Cincinnati, OH 45202

CERTIFICATE OF SERVICE

RE: Case No. 2007-00511
Duke Energy Kentucky, Inc.

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on December 27, 2007.

Executive Director

BOD/rs
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF PURCHASED GAS)
ADJUSTMENT FILING OF DUKE) CASE NO. 2007-00511
ENERGY KENTUCKY, INC.)

O R D E R

On December 22, 2005, in Case No. 2005-00042,¹ the Commission approved rates for Duke Energy Kentucky, Inc. ("Duke") and provided for their further adjustment in accordance with Duke's Gas Cost Adjustment ("GCA") clause.

On December 12, 2007, Duke filed its GCA to be effective January 2, 2008. Duke previously obtained Commission approval to file its GCA within 20 days of the proposed effective date.²

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Duke's notice includes rates designed to pass on to its customers its expected change in wholesale gas costs.
2. Duke's Expected Gas Cost ("EGC") is \$8.841 per Mcf, which is a decrease of \$.365 per Mcf from its previous EGC of \$9.206.

¹ Case No. 2005-00042, Adjustment of the Gas Rates of The Union Light, Heat and Power Company.

² Case No. 2003-00386, The Application of The Union Light, Heat and Power Company for Authority to Make Monthly Adjustments to the Expected Gas Cost Component of Its Gas Cost Adjustment Rate, Order dated November 6, 2003.

3. Duke's notice sets out no current Refund Adjustment ("RA"). Duke's notice sets out a total RA of \$0 per Mcf, which is no change from its previous total RA.

4. Duke's notice sets out no current quarter Actual Adjustment ("AA"). Duke's notice sets out a total AA of \$.393 per Mcf, which is no change from its previous total AA.

5. Duke's notice sets out no current quarter Balancing Adjustment ("BA"). Duke's notice sets out a total BA of \$.029 per Mcf, which is no change from its previous total BA.

6. Duke's Gas Cost Recovery Rate ("GCR") is \$9.263 per Mcf, which is a decrease of \$.365 per Mcf from its previous GCR of \$9.628.

7. The rates in the Appendix to this Order are fair, just, and reasonable, and should be approved for final meter readings by Duke on and after January 2, 2008.

IT IS THEREFORE ORDERED that:

1. The rates in the Appendix to this Order are approved for final meter readings on and after January 2, 2008.

2. Within 20 days from the date of this Order, Duke shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 27th day of December, 2007.

By the Commission

ATTEST


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2007-00511 DATED December 27, 2007

The following rates and charges are prescribed for the customers served by Duke Energy Kentucky, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

GAS SERVICE RATES

RATE RS
RESIDENTIAL SERVICE

| | <u>Base Rate</u> | | <u>Gas Cost Adjustment</u> | <u>Total Rate</u> |
|--|----------------------|------|------------------------------------|-----------------------|
| Commodity Charge for All Ccf Consumed | \$.26687 | plus | \$.9263 | \$1.19317 |

RATE GS
GENERAL SERVICE

| | <u>Base Rate</u> | | <u>Gas Cost Adjustment</u> | <u>Total Rate</u> |
|--|----------------------|--|------------------------------------|-----------------------|
| Commodity Charge for All Ccf Consumed | \$.20949 | | \$.9263 | \$1.13579 |

RIDER GCAT
GAS COST ADJUSTMENT TRANSITION RIDER

The amount of this charge or (credit) shall be \$.04220 per 100 cubic feet. This rate shall be in effect during the months of December 2007 through February 2008 and shall be updated quarterly, concurrent with the Company's GCA filings.